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October 4th, 2010

Susan M. Hudson, Clerk
Vermont Public Service Board
112 State Street
Montpelier, VT 05620-2701

Re: EEU-2010-06 Demand Resources Plan Proceeding – Department of Public Service Proposal for Scenarios for Analysis of Electric and Heating and Process Fuel Efficiency Resource Acquisition.

Dear Ms. Hudson:

The Department of Public Service (Department) offers the below recommended scenarios for any interested party (including the Department) to analyze to determine the effective budgets for acquisition of electric and heating and process fuel efficiency resources. The Department has engaged with other stakeholders in the development of these scenarios – however a consensus filing was not attainable.

Electric Efficiency Scenarios

As the Board and stakeholders are aware, the process outlined under Track A of the "Demand Resources Plan Proceeding Schedule", distributed by the Board 10/04/10, contemplates the completion of electric efficiency potential studies by at least the Department and likely by at least one Energy Efficiency Utility (EEU). The Department's potential study will identify the technical, achievable, and maximum economically achievable potential for energy efficiency resource acquisition in EEU service territories (EEU studies will likely also identify these levels of potential or some variation of the same).[1] Since 30 V.S.A. §209(d)(4) requires that the budget for efficiency acquisition be "adjusted as necessary in order to realize all reasonably available cost-effective energy efficiency savings" , the scenarios presented here are

[1] Differences in assumptions and/or methodology may result in differences in estimates of the available potential. This particular issue is expected to be addressed during and following presentation and workshops regarding efficiency potential in January of 2011.

variants on the *pace* at which the maximum economically achievable potential could be achieved.

1) Acquire all economically achievable potential through a flat budget (adjusted for inflation[2]) over 20 years.

This proposed scenario will allow the Board to consider the budget necessary to acquire all economically achievable energy efficiency potential within the Demand Resources Plan (DRP) timeframe. A flat budget would allow for some predictability in efficiency charge rates, and provide consistency for program planning and design purposes.

2) Percent savings relative to annual and/or peak load

This proposed scenario targets energy efficiency budgets to meet a specific resource acquisition goal. It would be measured as the savings as compared to the energy or demand consumption but for the efficiency program. The procurement of cost-effective energy resources has long been a goal of energy efficiency. More recently, the procurement of capacity resources has taken on added importance. This scenario ties the budget to actual year over year savings targets.

The Department requests more time to propose the actual percent number (e.g. 2% of annual energy savings) that would be analyzed. While recent history can be a rough starting point, available efficiency measures (and the associated savings) are changing rapidly, which may cause a break from the norm in terms of percent savings relative to electric load. The Department requests that the Board, if it adopts this scenario, allow until November 1st to determine the actual percentage associate with this scenario.

3) Status Quo (plus inflation)

Although the Department strives to avoid scenarios that arbitrarily tie electric energy efficiency resource acquisition to specific budgets, our opinion is that it will be useful to analyze the savings under a scenario where the status quo is continued. At a minimum, the status quo scenario provides a relative value that is a good barometer for other scenarios. It provides a reasonable third option to the first two. It also provides some of the same attributes of the first scenario – namely a consistent budget for program planning and design.

Heating and Process Fuel Efficiency Scenario

In contrast to the scenarios for Electric Energy Efficiency, the budgets for Heating and Process Fuel Efficiency – funded through revenues from the Regional Greenhouse Gas Initiative (RGGI) and the ISO New-England Forward Capacity Market (FCM) are reasonably known, at least in the short term. The Department suggests that parties only analyze one scenario for Heating and Process Fuel efficiency resource acquisition – based

[2] The Department suggests using the Consumer Price Index 10-year historical average as an appropriate inflation indicator to project.

on estimates of those available revenue streams that are under the Board's jurisdiction. The available potential for heating and process fuel efficiency appears to be vast, and a new potential study is not planned as part of the DRP schedule. If this scenario is adopted, the Department proposes that the Department (RGGI) and the EEUs (FCM) work together to submit revenue projections to the DRP service list by October 21st.

The Department appreciates the opportunity to propose scenarios regarding the pace at which energy efficiency resource acquisition should be analyzed. Please feel free to contact me with any questions or comments.

Sincerely,

Walter (TJ) Poor
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